
ENGROSSED SECOND SUBSTITUTE SENATE BILL 5364

State of Washington

58th Legislature

2003 Regular Session

By Senate Committee on Ways & Means (originally sponsored by Senators Zarelli, T. Sheldon, Regala, B. Sheldon, Winsley, McAuliffe, Hale and Rasmussen; by request of Governor Locke)

READ FIRST TIME 04/7/03.

1 AN ACT Relating to community revitalization financing; amending RCW
2 39.89.020, 39.89.030, 39.89.050, 39.89.060, 39.89.070, and 39.89.080;
3 adding new sections to chapter 39.89 RCW; adding new sections to
4 chapter 82.14 RCW; adding a new section to chapter 82.32 RCW; and
5 creating new sections.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 **PART I**

8 **COMMUNITY REVITALIZATION FINANCING--GENERAL PROVISIONS**

9 NEW SECTION. **Sec. 101.** The legislature recognizes that the state
10 as a whole benefits from investment in public infrastructure because it
11 promotes community and economic development. Public investment
12 stimulates business activity and helps create jobs; stimulates the
13 redevelopment of brownfields and blighted areas in the inner city;
14 lowers the cost of housing; and promotes efficient land use. The
15 legislature finds that these activities generate revenue for the state
16 and that it is in the public interest to invest in these projects
17 through a credit against the state sales and use tax to those local
18 governments that can demonstrate the expected returns to the state.

1 **Sec. 102.** RCW 39.89.020 and 2001 c 212 s 2 are each amended to
2 read as follows:

3 The definitions in this section apply throughout this chapter
4 unless the context clearly requires otherwise.

5 (1) "Assessed value of real property" means the valuation of real
6 property as placed on the last completed assessment roll.

7 (2) "Department" means the department of revenue.

8 (3) "Increment area" means the geographic area from which taxes are
9 to be appropriated to finance public improvements authorized under this
10 chapter.

11 (4) "Increment value" means seventy-five percent of any increase in
12 the assessed value of real property in an increment area that is placed
13 on the assessment rolls after the increment area is created. There is
14 no increment value if the assessed value of real property in an
15 increment area is less than or equal to the assessed value of real
16 property in the increment area for taxes levied in the year in which
17 the increment area was created for collection in the following year.

18 (5) "Local government" means any city, town, county, port district,
19 or any combination thereof.

20 (~~(3)~~) (6) "Ordinance" means any appropriate method of taking
21 legislative action by a local government.

22 (~~(4)~~) (7) "Participating taxing authority" means a taxing
23 authority that has entered into a written agreement with a local
24 government for the use of community revitalization financing to finance
25 all or a portion of the costs of designated public improvements.

26 (8) "Participating taxing district" means all taxing districts
27 within an increment area where a local government has obtained written
28 agreement for the use of community revitalization financing to finance
29 all or a portion of the costs of designated public improvements as
30 provided in RCW 39.89.030(8). However, a fire protection district is
31 not a participating taxing district unless it has entered into a
32 signed, written agreement with a local government to provide limited
33 funding under community revitalization financing as provided in RCW
34 39.89.030(8)(a).

35 (9) "Public improvements" means:

36 (a) Infrastructure improvements within the increment area that
37 include:

38 (i) Street and road construction and maintenance;

1 (ii) Water and sewer system construction and improvements;

2 (iii) Sidewalks and streetlights;

3 (iv) Parking, terminal, and dock facilities;

4 (v) Park and ride facilities of a transit authority;

5 (vi) Park facilities and recreational areas; and

6 (vii) Storm water and drainage management systems; and

7 (b) Expenditures for any of the following purposes:

8 (i) Providing environmental analysis, professional management,
9 planning, and promotion within the increment area, including the
10 management and promotion of retail trade activities in the increment
11 area;

12 (ii) Providing maintenance and security for common or public areas
13 in the increment area; or

14 (iii) Historic preservation activities authorized under RCW
15 35.21.395.

16 (~~(+5)~~) (10) "Public improvement costs" means the costs of: (a)
17 Design, planning, acquisition, including land acquisition, site
18 preparation including land clearing, construction, reconstruction,
19 rehabilitation, improvement, and installation of public improvements;
20 (b) demolishing, relocating, maintaining, and operating property
21 pending construction of public improvements; (c) relocating utilities
22 as a result of public improvements; (d) financing public improvements,
23 including interest during construction, legal and other professional
24 services, taxes, insurance, principal and interest costs on general
25 indebtedness issued to finance public improvements, and any necessary
26 reserves for general indebtedness; (e) assessments incurred in
27 revaluing real property for the purpose of determining the tax
28 allocation base value that are in excess of costs incurred by the
29 assessor in accordance with the revaluation plan under chapter 84.41
30 RCW, and the costs of apportioning the taxes and complying with this
31 chapter and other applicable law; and (f) administrative expenses and
32 feasibility studies reasonably necessary and related to these costs,
33 including related costs that may have been incurred before adoption of
34 the ordinance authorizing the public improvements and the use of
35 community revitalization financing to fund the costs of the public
36 improvements.

37 (~~(+6)~~) (11) "Regular property taxes" means regular property taxes
38 as defined in RCW 84.04.140, except: (a) Regular property taxes levied

1 by port districts or public utility districts specifically for the
2 purpose of making required payments of principal and interest on
3 general indebtedness; ~~((and))~~ (b) regular property taxes levied by the
4 state for the support of the common schools under RCW 84.52.065; and
5 (c) regular property taxes levied under the authority of RCW 84.55.050
6 that are limited to a specific purpose as provided in RCW
7 84.55.050(3)(b). Regular property taxes do not include excess property
8 tax levies that are exempt from the aggregate limits for junior and
9 senior taxing districts as provided in RCW 84.52.043.

10 ~~((+7))~~ (12) "Tax allocation base value" means the ~~((true and~~
11 ~~fair))~~ assessed value of real property located within an increment area
12 for taxes ~~((imposed))~~ levied in the year in which the increment area is
13 created for collection in the following year, plus twenty-five percent
14 of any increase in the ~~((true and fair))~~ assessed value of real
15 property located within an increment area that is placed on the
16 assessment rolls after the increment area is created.

17 ~~((+8))~~ (13) "Tax allocation revenues" means those tax revenues
18 derived from the ~~((imposition of))~~ receipt of excess excise taxes under
19 section 202 of this act and from regular property taxes levied on the
20 increment value and distributed to finance public improvements.

21 ~~((+9) "Increment area" means the geographic area from which taxes~~
22 ~~are to be appropriated to finance public improvements authorized under~~
23 ~~this chapter.~~

24 ~~(10) "Increment value" means seventy five percent of any increase~~
25 ~~in the true and fair value of real property in an increment area that~~
26 ~~is placed on the tax rolls after the increment area is created.~~

27 ~~(+11))~~ (14) "Taxing authority" means a governmental entity that
28 imposes a sales or use tax under chapter 82.14 RCW upon the occurrence
29 of any taxable event within a proposed or approved increment area.

30 (15) "Taxing district~~((s))~~" means a governmental entity that levies
31 or has levied for it regular property taxes upon real property located
32 within a proposed or approved increment area.

33 ~~((+12))~~ (16) "Value of taxable property" means the value of the
34 taxable property as defined in RCW 39.36.015.

35 **Sec. 103.** RCW 39.89.030 and 2002 c 12 s 1 are each amended to read
36 as follows:

1 A local government may finance public improvements using community
2 revitalization financing subject to the following conditions:

3 (1) The local government adopts an ordinance designating an
4 increment area within its boundaries and specifying the public
5 improvements proposed to be financed in whole or in part with the use
6 of community revitalization financing;

7 (2) The public improvements proposed to be financed in whole or in
8 part using community revitalization financing are expected to encourage
9 private development within the increment area and to increase the fair
10 market value of real property within the increment area;

11 (3) The local government has entered or expects to enter into a
12 contract with a private developer relating to the development of
13 private improvements within the increment area or has received a letter
14 of intent from a private developer relating to the developer's plans
15 for the development of private improvements within the increment area;

16 (4) Private development that is anticipated to occur within the
17 increment area, as a result of the public improvements, will be
18 consistent with the countywide planning policy adopted by the county
19 under RCW 36.70A.210 and the local government's comprehensive plan and
20 development regulations adopted under chapter 36.70A RCW;

21 ~~((4) Taxing districts, in the aggregate, that levy at least~~
22 ~~seventy five percent of the regular property tax within which the~~
23 ~~increment area is located approves the community revitalization~~
24 ~~financing of the project under RCW 39.89.050(1); and~~

25 ~~(5) In an increment area that includes any portion of a fire~~
26 ~~protection district as defined in Title 52 RCW, the fire protection~~
27 ~~district must agree to participate in the community revitalization~~
28 ~~financing of the project under chapter 212, Laws of 2001, for the~~
29 ~~project to proceed. Approval by the fire protection district shall be~~
30 ~~considered as part of the required participation by taxing districts~~
31 ~~under subsection (4) of this section)) (5) The local government may not~~
32 ~~use community revitalization financing to finance the costs associated~~
33 ~~with the financing, design, acquisition, construction, equipping,~~
34 ~~operating, maintaining, remodeling, repairing, and reequipping of~~
35 ~~public facilities funded with taxes collected under RCW 82.14.048;~~

36 (6) The governing body of the local government must make a finding
37 that community revitalization financing: (a) Will not be used for the
38 purpose of relocating a business from outside the increment area, but

1 within this state, into the increment area; and (b) will improve the
2 viability of existing business entities within the increment area; and
3 (c) will be used exclusively in areas within the jurisdiction of the
4 local government deemed in need of economic development and/or
5 redevelopment and absent the financing available under this act that
6 the proposed economic development and/or redevelopment would not occur;

7 (7) The governing body of the local government finds that the
8 public improvements proposed to be financed in whole or in part using
9 community revitalization financing are reasonably likely to:

10 (a) Increase private investment within the increment area;

11 (b) Increase employment within the increment area; and

12 (c) Generate, over the period of time that the local sales and use
13 tax will be imposed under section 301 of this act, state and local
14 property, sales, and use tax revenues that are equal to or greater than
15 the respective state and local contributions made under this chapter;

16 (8) The local government obtains written agreement for the use of
17 community revitalization financing to finance all or a portion of the
18 costs of the designated public improvements from taxing districts that
19 in the aggregate levy at least sixty percent of the regular property
20 taxes on property within the increment area. The agreement must be
21 authorized by the governing body of taxing districts that in the
22 aggregate levy at least sixty percent of the regular property taxes on
23 property within the increment area.

24 (a) A signed, written agreement from taxing districts that in the
25 aggregate levy at least sixty percent of the regular property taxes
26 within the increment area constitutes concurrence by all taxing
27 districts in the increment area in the public improvements and
28 participation in the public improvements to the extent of providing
29 limited funding under community revitalization financing authorized
30 under this chapter. However, a fire protection district may choose not
31 to participate in the public improvements by providing written notice
32 to the local government of its decision not to provide limited funding
33 under community revitalization financing.

34 (b) For purposes of this subsection (8), "regular property taxes"
35 means regular property taxes defined in RCW 84.04.140, except: (i)
36 Regular property taxes levied by the state; and (ii) regular property
37 taxes levied by a fire protection district if the fire protection

1 district has not entered into a signed, written agreement with a local
2 government to provide limited funding under community revitalization
3 financing as provided in (a) of this subsection.

4 **Sec. 104.** RCW 39.89.050 and 2001 c 212 s 5 are each amended to
5 read as follows:

6 (1) Before adopting an ordinance creating the increment area, a
7 local government must:

8 ~~((1))~~ (a) Obtain written agreement for the use of community
9 revitalization financing to finance all or a portion of the costs of
10 the designated public improvements from taxing districts ~~((that, in the~~
11 ~~aggregate, levy at least seventy five percent of the regular property~~
12 ~~tax on property within the increment area. A signed, written agreement~~
13 ~~from taxing districts that in the aggregate levy at least seventy five~~
14 ~~percent of the regular property tax within the increment area,~~
15 ~~constitutes concurrence by all taxing districts in the increment area~~
16 ~~in the public improvement and participation in the public improvement~~
17 ~~to the extent of providing limited funding under community~~
18 ~~revitalization financing authorized under this chapter. The agreement~~
19 ~~must be authorized by the governing body of taxing districts that in~~
20 ~~the aggregate levy at least seventy five percent of the regular~~
21 ~~property tax on property within the increment area))~~ as provided in RCW
22 39.89.030(8); and

23 ~~((2))~~ (b) Hold a public hearing on the proposed financing of the
24 public improvement in whole or in part with community revitalization
25 financing.

26 (i) Notice of the public hearing must be published in a legal
27 newspaper of general circulation within the proposed increment area at
28 least ten days before the public hearing and posted in at least six
29 conspicuous public places located in the proposed increment area.

30 (ii) Notice must also be sent by United States mail to the property
31 owners and the business enterprises located within the proposed
32 increment area at least thirty days prior to the hearing. In
33 implementing provisions under this act, the local governing body may
34 also consult with business organizations, including the local chamber
35 of commerce, and the office of minority and women's business

1 enterprises to assist with providing appropriate notice to business
2 enterprises and property owners for whom English is a second language.

3 (iii) Notices must describe the contemplated public improvements,
4 estimate the costs of the public improvements, describe the portion of
5 the costs of the public improvements to be borne by community
6 revitalization financing, describe any other sources of revenue to
7 finance the public improvements, describe the boundaries of the
8 proposed increment area, and estimate the period during which community
9 revitalization financing is contemplated to be used. The public
10 hearing may be held by either the governing body of the local
11 government, or a committee of the governing body that includes at least
12 a majority of the whole governing body(~~(+and)~~).

13 ((+3+)) (2) In order to create an increment area, a local
14 government must adopt an ordinance establishing the increment area
15 that:

16 (a) Describes the public improvements((τ))i

17 (b) Describes the boundaries of the increment area((τ))i

18 (c) Estimates the cost of the public improvements and the portion
19 of these costs to be financed by community revitalization
20 financing((τ))i

21 (d) Estimates the time during which regular property taxes are to
22 be apportioned((τ)) and, if applicable, excess excise taxes are to be
23 used to finance public improvement costs associated with the public
24 improvements financed in whole or in part by community revitalization
25 financing;

26 (e) Estimates the average amount of tax revenue to be received in
27 all fiscal years through the imposition of a sales and use tax under
28 section 301 of this act;

29 (f) Provides the date when the apportionment of the regular
30 property taxes and, if applicable, the use of excess excise taxes will
31 commence((τ))i and

32 (g) Finds that the conditions of RCW 39.89.030 are met.

33 (3) For purposes of this section, "fiscal year" means the year
34 beginning July 1st and ending the following June 30th.

35 **Sec. 105.** RCW 39.89.060 and 2001 c 212 s 6 are each amended to
36 read as follows:

37 The local government shall:

1 (1) Publish notice in a legal newspaper of general circulation
2 within the increment area that describes the public improvement,
3 describes the boundaries of the increment area, and identifies the
4 location and times where the ordinance and other public information
5 concerning the public improvement may be inspected; and

6 (2) Deliver a certified copy of the ordinance to the county
7 treasurer, the county assessor, and the governing body of each
8 participating taxing district within which the increment area is
9 located.

10 **PART II**

11 **COMMUNITY REVITALIZATION FINANCING**

12 **USE OF TAX ALLOCATION REVENUES TO PAY THE COSTS OF PUBLIC IMPROVEMENTS**

13 **Sec. 201.** RCW 39.89.070 and 2001 c 212 s 7 are each amended to
14 read as follows:

15 (1) Commencing in the second calendar year following the passage of
16 the ordinance creating an increment area and authorizing the use of
17 community revitalization financing, the county treasurer shall
18 distribute receipts from regular taxes imposed on real property located
19 in the increment area as follows:

20 (a) Each participating taxing district and the local government
21 that created the increment area shall receive that portion of its
22 regular property taxes produced by the rate of tax levied by or for the
23 taxing district on the tax allocation base value for that community
24 revitalization financing project in the taxing district, or upon the
25 total assessed value of real property in the taxing district, whichever
26 is smaller; and

27 (b) The local government that created the increment area shall
28 receive an additional portion of the regular property taxes levied by
29 it and by or for each participating taxing district upon the increment
30 value within the increment area. However, if there is no increment
31 value, the local government shall not receive any additional regular
32 property taxes under this subsection (1)(b). The local government that
33 created the increment area may agree to receive less than the full
34 amount of ~~((this))~~ the additional portion of regular property taxes
35 under this subsection (1)(b) as long as bond debt service, reserve, and
36 other bond covenant requirements are satisfied, in which case the

1 balance of these tax receipts shall be allocated to the participating
2 taxing districts that imposed regular property taxes, or have regular
3 property taxes imposed for them, in the increment area for collection
4 that year in proportion to their regular tax levy rates for collection
5 that year. The local government may request that the treasurer
6 transfer this additional portion of the property taxes to its
7 designated agent. The portion of the tax receipts distributed to the
8 local government or its agent under this subsection (1)(b) may only be
9 expended to finance public improvement costs associated with the public
10 improvements financed in whole or in part by community revitalization
11 financing.

12 (2) The county assessor shall allocate twenty-five percent of any
13 increased real property value occurring in the increment area to the
14 tax allocation base value and seventy-five percent to the increment
15 value. This section does not authorize revaluations of real property
16 by the assessor for property taxation that are not made in accordance
17 with the assessor's revaluation plan under chapter 84.41 RCW or under
18 other authorized revaluation procedures.

19 (3) The apportionment of increases in assessed valuation in an
20 increment area, and the associated distribution to the local government
21 of receipts from regular property taxes that are imposed on the
22 increment value, must cease when tax allocation revenues are no longer
23 necessary or obligated to pay the costs of the public improvements.
24 Any excess tax allocation revenues derived from regular property taxes
25 and earnings on ((the)) such tax allocation revenues, remaining at the
26 time the apportionment of tax receipts terminates, must be returned to
27 the county treasurer and distributed to the participating taxing
28 districts that imposed regular property taxes, or had regular property
29 taxes imposed for it, in the increment area for collection that year,
30 in proportion to the rates of their regular property tax levies for
31 collection that year.

32 NEW SECTION. Sec. 202. A new section is added to chapter 39.89
33 RCW to read as follows:

34 (1) A local government that creates an increment area and has
35 received approval from the department of revenue under section 303 of
36 this act to impose the local option sales and use tax authorized in
37 section 301 of this act may use annually any excess excise taxes

1 received by it from taxable activity within the increment area to
2 finance public improvement costs associated with the public
3 improvements financed in whole or in part by community revitalization
4 financing. The use of excess excise taxes must cease when tax
5 allocation revenues are no longer necessary or obligated to pay the
6 costs of the public improvements. Any participating taxing authority
7 is authorized to allocate excess excise taxes to the local government.
8 The legislature declares that it is a proper purpose of a local
9 government or participating taxing authority to allocate excess excise
10 taxes for purposes of financing public improvements under this chapter.

11 (2) A local government consisting solely of a port district may use
12 excess excise taxes as provided in this section only to the extent that
13 any participating taxing authority allocates excess excise taxes to the
14 local government.

15 (3) A local government consisting of a port district and any city,
16 town, or county may use excess excise taxes as provided in this section
17 only if:

18 (a) The city, town, or county realizes excess excise taxes from
19 taxable activity within the increment area; or

20 (b) Any participating taxing authority allocates excess excise
21 taxes to the local government.

22 (4) A local government shall provide the department accurate
23 information describing the geographical boundaries of the increment
24 area at least seventy-five days before the effective date of the
25 ordinance creating the increment area. The local government shall
26 ensure that the boundary information provided to the department is kept
27 current.

28 (5) The department shall provide each local government that has
29 provided boundary information to the department as provided in this
30 section with the necessary information to calculate excess excise
31 taxes.

32 (6) The definitions in this subsection apply throughout this
33 section unless the context clearly requires otherwise.

34 (a) "Base year" means the first calendar year following the
35 creation of an increment area.

36 (b) "Excess excise taxes" means the amount of excise taxes received
37 by the local government during the measurement year from taxable
38 activity within the increment area over and above the amount of excise

1 taxes received by the local government during the base year from
2 taxable activity within the increment area. However, if a local
3 government creates an increment area and reasonably determines that no
4 activity subject to tax under chapters 82.08 and 82.12 RCW occurred in
5 the twelve months immediately preceding the creation of the increment
6 area within the boundaries of the area that became the increment area,
7 "excess excise taxes" means the entire amount of excise taxes received
8 by the local government during a calendar year period beginning with
9 the calendar year immediately following the creation of the increment
10 area and continuing with each measurement year thereafter.

11 (c) "Excise taxes" means local retail sales and use taxes
12 authorized in RCW 82.14.030.

13 (d) "Measurement year" means a calendar year, beginning with the
14 calendar year following the base year and each calendar year
15 thereafter, that is used annually to measure the amount of excess
16 excise taxes required to be used to finance public improvement costs
17 associated with public improvements financed in whole or in part by
18 community revitalization financing.

19 **PART III**
20 **COMMUNITY REVITALIZATION FINANCING--STATE CONTRIBUTION**

21 NEW SECTION. **Sec. 301.** A new section is added to chapter 82.14
22 RCW to read as follows:

23 (1) A city, town, or county that creates an increment area and
24 finances public improvements pursuant to chapter 39.89 RCW may impose
25 a sales and use tax in accordance with the terms of this chapter and
26 subject to the criteria set forth in this section. Except as provided
27 in this section, the tax is in addition to other taxes authorized by
28 law and shall be collected from those persons who are taxable by the
29 state under chapters 82.08 and 82.12 RCW upon the occurrence of any
30 taxable event within the taxing jurisdiction of the city, town, or
31 county. The rate of tax shall not exceed the rate provided in RCW
32 82.08.020(1) in the case of a sales tax or the rate provided in RCW
33 82.12.020(5) in the case of a use tax, less the aggregate rates of any
34 other taxes imposed on the same events that are credited against the
35 state taxes imposed under chapters 82.08 and 82.12 RCW.

1 (2) The tax imposed under subsection (1) of this section shall be
2 deducted from the amount of tax otherwise required to be collected or
3 paid over to the department under chapter 82.08 or 82.12 RCW. The
4 department shall perform the collection of such taxes on behalf of the
5 city, town, or county at no cost to the city, town, or county.

6 (3) No tax may be imposed under this section before July 1, 2005.
7 Before imposing a tax under this section, the city, town, or county
8 shall first have received tax allocation revenues derived from either
9 regular property taxes or excess excise taxes, or both, during the
10 preceding calendar year. The tax imposed under this section shall
11 expire when the bonds issued under the authority of chapter 39.89 RCW
12 are retired, but not more than twenty-five years after the tax is first
13 imposed.

14 (4) An ordinance adopted by the legislative authority of a city,
15 town, or county imposing a tax under this section shall provide that:

16 (a) The tax shall first be imposed on the first day of a fiscal
17 year.

18 (b) The amount of tax received by the local government in any
19 fiscal year shall not exceed the amount of the state contribution;

20 (c) The tax shall cease to be imposed for the remainder of any
21 fiscal year in which either:

22 (i) The amount of tax receipts totals the amount of the state
23 contribution;

24 (ii) The amount of tax receipts totals the amount of "local public
25 sources," as that term is used in section 302 of this act, dedicated in
26 the previous calendar year to finance public improvements authorized
27 under chapter 39.89 RCW; or

28 (iii) The amount of revenue from taxes imposed under this section
29 by all cities, towns, and counties totals the annual state credit limit
30 as provided in section 303(3) of this act;

31 (d) The tax shall be reimposed, should it cease to be imposed for
32 any of the reasons provided in (c) of this subsection, at the beginning
33 of the next fiscal year, subject to the restrictions in this section;
34 and

35 (e) Any revenue generated by the tax in excess of the amounts
36 specified in (a), (b), and (c) of this subsection shall belong to the
37 state of Washington.

1 (5) If both a county and a city or town impose a tax under this
2 section, the tax imposed by the city, town, or county shall be credited
3 as follows:

4 (a) If the county has created an increment area before the city or
5 town, the tax imposed by the county shall be credited against the tax
6 imposed by the city or town, the purpose of such credit is to give
7 priority to the county tax; and

8 (b) If the city or town has created an increment area before the
9 county, the tax imposed by the city or town shall be credited against
10 the tax imposed by the county, the purpose of such credit is to give
11 priority to the city or town tax.

12 (6) The department shall determine the amount of tax receipts
13 attributable to each city, town, and county imposing a sales and use
14 tax under this section and shall advise a city, town, or county when it
15 must cease imposing the tax for the remainder of the fiscal year as
16 provided in subsection (4)(c) of this section. Determinations by the
17 department of the amount of taxes attributable to a city, town, or
18 county are final and shall not be used to challenge the validity of any
19 tax imposed under this section. The department shall remit any tax
20 receipts in excess of the amounts specified in subsection (4)(a), (b),
21 and (c) of this section to the state treasurer who shall deposit the
22 moneys in the general fund.

23 (7) The definitions in this subsection apply throughout this
24 section unless the context clearly requires otherwise.

25 (a) "Base year" means the first calendar year following the
26 creation of an increment area.

27 (b) "Excess state excise taxes" means the amount of excise taxes
28 received by the state during the measurement year from taxable activity
29 within the increment area over and above the amount of excise taxes
30 received by the state during the base year from taxable activity within
31 the increment area. However, if a local government creates an
32 increment area and reasonably determines that no activity subject to
33 tax under chapters 82.08 and 82.12 RCW occurred in the twelve months
34 immediately preceding the creation of the increment area within the
35 boundaries of the area that became the increment area, "excess state
36 excise taxes" means the entire amount of excise taxes received by the
37 state during a calendar year period beginning with the calendar year

1 immediately following the creation of the increment area and continuing
2 with each measurement year thereafter.

3 (c) "Excise taxes" means the state retail sales and use taxes
4 imposed under chapters 82.08 and 82.12 RCW.

5 (d) "Fiscal year" has the same meaning as in RCW 39.89.050(3).

6 (e) "Increment area" has the same meaning as in RCW 39.89.020.

7 (f) "Measurement year" means a calendar year, beginning with the
8 calendar year following the base year and each calendar year
9 thereafter, that is used annually to measure the amount of excess
10 excise taxes required to be used to finance public improvement costs
11 associated with public improvements financed in whole or in part by
12 community revitalization financing.

13 (g) "State contribution" means the lesser of one million dollars or
14 an amount equal to:

15 (i) State property tax allocation revenues received by the state
16 during the preceding calendar year; and

17 (ii) Excess state excise taxes received by the state during the
18 preceding calendar year.

19 (h) "State property tax allocation revenues" means those tax
20 revenues derived from the imposition of property taxes levied by the
21 state on the increment value as defined in RCW 39.89.020.

22 (i) "Tax allocation revenues" has the same meaning as in RCW
23 39.89.020.

24 NEW SECTION. **Sec. 302.** A new section is added to chapter 82.14
25 RCW to read as follows:

26 (1) Moneys collected from the taxes imposed under section 301 of
27 this act shall be used only for the purpose of principal and interest
28 payments on bonds issued under the authority of RCW 39.89.080 and must
29 be matched with an amount from local public sources dedicated through
30 December 31st of the previous calendar year to finance public
31 improvements authorized under chapter 39.89 RCW. Such local public
32 sources include but are not limited to private monetary contributions
33 and tax allocation revenues. Local public sources are dedicated to
34 finance public improvements if they are actually expended to pay public
35 improvement costs or are required by law or an agreement to be used
36 exclusively to pay public improvement costs.

1 (2) A local government shall inform the department by the first day
2 of March of the amount of:

3 (a) Local public sources dedicated in the preceding calendar year
4 to finance public improvements authorized under chapter 39.89 RCW; and

5 (b) Tax allocation revenues derived in the preceding calendar year
6 from the imposition of regular property taxes on the increment value
7 and distributed to finance public improvements. Upon request of a
8 local government, the county assessor shall assist the local government
9 in determining the amount of tax allocation revenues derived in the
10 preceding calendar year and distributed to finance public improvements.

11 (3) If a local government fails to comply with subsection (2) of
12 this section, no tax may be imposed under section 301 of this act in
13 the subsequent fiscal year.

14 (4) A local government shall provide a report to the department by
15 March 1st of each year. The report shall contain the following
16 information:

17 (a) The amount of tax allocation revenues, taxes under section 301
18 of this act, and local public sources received by the local government
19 during the preceding calendar year, and a summary of how these revenues
20 were expended;

21 (b) The names of any businesses locating within the increment area
22 as a result of the public improvements undertaken by the local
23 government and financed in whole or in part with community
24 revitalization financing;

25 (c) The total number of permanent jobs created as a result of the
26 public improvements undertaken by the local government and financed in
27 whole or in part with community revitalization financing;

28 (d) The average wages and benefits received by all employees of
29 businesses locating within the increment area as a result of the public
30 improvements undertaken by the local government and financed in whole
31 or in part with community revitalization financing;

32 (e) That the local government is in compliance with RCW
33 39.89.030(6)(c).

34 (5) The department shall make a report available to the public and
35 the legislature by June 1st of each year. The report shall include a
36 list of public improvements undertaken by local governments and
37 financed in whole or in part with community revitalization financing,

1 and it shall also include a summary of the information provided to the
2 department by local governments under subsection (4) of this section.

3 (6) The definitions in this subsection apply throughout this
4 section unless the context clearly requires otherwise.

5 (a) "Public improvement costs" has the same meaning as in RCW
6 39.89.020.

7 (b) "Tax allocation revenues" has the same meaning as in RCW
8 39.89.020.

9 NEW SECTION. **Sec. 303.** A new section is added to chapter 82.32
10 RCW to read as follows:

11 (1) As a condition to imposing a sales and use tax under section
12 301 of this act, a city, town, or county must apply to the department
13 at least seventy-five days before the effective date of any such tax.
14 The application shall be in a form and manner prescribed by the
15 department and shall include but is not limited to information
16 establishing that the applicant is eligible to impose such a tax, the
17 anticipated effective date for imposing the tax, the estimated number
18 of years that the tax will be imposed, and the estimated amount of tax
19 revenue to be received in each fiscal year that the tax will be
20 imposed. For purposes of this section, "fiscal year" means the year
21 beginning July 1st and ending the following June 30th. The department
22 shall make available forms to be used for this purpose. As part of the
23 application, a city, town, or county must provide to the department a
24 copy of the ordinance creating the increment area as required in RCW
25 39.89.050. The department shall rule on completed applications within
26 sixty days of receipt. No new applications shall be considered by the
27 department after the thirtieth day of September of the third year
28 following the year in which the first application was received.

29 (2) The authority to impose the local option sales and use taxes
30 under section 301 of this act is on a first-come basis. Priority for
31 collecting the taxes authorized under section 301 of this act among
32 approved applicants shall be based on the date that the approved
33 application was received by the department. As a part of the approval
34 of applications under this section, the department shall approve the
35 amount of tax under section 301 of this act that an applicant may
36 impose. The amount of tax approved by the department shall not exceed
37 the lesser of one million dollars or the average amount of tax revenue

1 that the applicant estimates that it will receive in all fiscal years
2 through the imposition of a sales and use tax under section 301 of this
3 act. A city, town, or county shall not receive, in any fiscal year,
4 more revenues from taxes imposed under section 301 of this act than the
5 amount approved by the department. The department shall not approve
6 the receipt of more credit against the state sales and use tax than is
7 authorized under subsection (3) of this section.

8 (3) The amount of credit against the state sales and use tax is
9 limited as follows:

10 (a) Except as provided in this subsection (3), no more than five
11 million dollars of credit against the state sales and use tax may be
12 received by all cities, towns, and counties imposing a tax under
13 section 301 of this act.

14 (b) During the fiscal years beginning July 1, 2006, through June
15 30, 2009, the total amount of credit against the state sales and use
16 tax that may be received by all cities, towns, and counties imposing a
17 tax under section 301 of this act shall be increased as follows:

18 (i) In the fiscal year beginning July 1, 2006, the limit in (a) of
19 this subsection shall be increased by the same percentage as the
20 percentage increase in the assessed value of all property within this
21 state from calendar year 2003 through calendar year 2004, as determined
22 by the department;

23 (ii) In the fiscal year beginning July 1, 2007, the limit in (a) of
24 this subsection shall be increased by the same percentage as the
25 percentage increase in the assessed value of all property within this
26 state from calendar year 2003 through calendar year 2005, as determined
27 by the department;

28 (iii) In the fiscal year beginning July 1, 2008, and for each
29 subsequent fiscal year, the limit in (a) of this subsection shall be
30 increased by the same percentage as the percentage increase in the
31 assessed value of all property within this state from calendar year
32 2003 through calendar year 2006, as determined by the department.

33 (4) The credit against the state sales and use tax shall be
34 available to any city, town, or county imposing a tax under section 301
35 of this act only as long as the city, town, or county has outstanding
36 indebtedness under RCW 39.89.080.

37 (5) The department may adopt any rules under chapter 34.05 RCW it

1 considers necessary for the administration of sections 202 through 303
2 of this act.

3 **PART IV**
4 **BOND AUTHORIZATION**

5 **Sec. 401.** RCW 39.89.080 and 2001 c 212 s 8 are each amended to
6 read as follows:

7 (1) A local government designating an increment area and
8 authorizing the use of community revitalization financing may incur
9 general indebtedness, and issue general obligation bonds, to finance
10 the public improvements and retire the indebtedness in whole or in part
11 from tax allocation revenues it receives, subject to the following
12 requirements:

13 (a) The ordinance adopted by the local government creating the
14 increment area and authorizing the use of community revitalization
15 financing indicates an intent to incur this indebtedness and the
16 maximum amount of this indebtedness that is contemplated; and

17 (b) The local government includes this statement of the intent in
18 all notices required by RCW 39.89.050.

19 (2) The general indebtedness incurred under subsection (1) of this
20 section may be payable from other tax revenues, the full faith and
21 credit of the local government, and nontax income, revenues, fees, and
22 rents from the public improvements, as well as contributions, grants,
23 and nontax money available to the local government for payment of costs
24 of the public improvements or associated debt service on the general
25 indebtedness.

26 (3) In addition to the requirements in subsection (1) of this
27 section, a local government designating an increment area and
28 authorizing the use of community revitalization financing may require
29 the nonpublic participant to provide adequate security to protect the
30 public investment in the public improvement within the increment area.

31 (4) Bonds issued under this section shall be authorized by
32 ordinance of the local governing body and may be issued in one or more
33 series and shall bear such date or dates, be payable upon demand or
34 mature at such time or times, bear interest at such rate or rates, be
35 in such denomination or denominations, be in such form either coupon or
36 registered as provided in RCW 39.46.030, carry such conversion or

1 registration privileges, have such rank or priority, be executed in
2 such manner, be payable in such medium of payment, at such place or
3 places, and be subject to such terms of redemption with or without
4 premium, be secured in such manner, and have such other
5 characteristics, as may be provided by such ordinance or trust
6 indenture or mortgage issued pursuant thereto.

7 (5) The local government may annually pay into a fund to be
8 established for the benefit of bonds issued under this section a fixed
9 proportion or a fixed amount of any tax allocation revenues derived
10 from property or business activity within the increment area containing
11 the public improvements funded by the bonds, such payment to continue
12 until all bonds payable from the fund are paid in full. The local
13 government may also annually pay into the fund established in this
14 section a fixed proportion or a fixed amount of any revenues derived
15 from taxes imposed under section 301 of this act, such payment to
16 continue until all bonds payable from the fund are paid in full.
17 Revenues derived from taxes imposed under section 301 of this act are
18 subject to the use restriction in section 302 of this act.

19 (6) In case any of the public officials of the local government
20 whose signatures appear on any bonds or any coupons issued under this
21 chapter shall cease to be such officials before the delivery of such
22 bonds, such signatures shall, nevertheless, be valid and sufficient for
23 all purposes, the same as if such officials had remained in office
24 until such delivery. Any provision of any law to the contrary
25 notwithstanding, any bonds issued under this chapter are fully
26 negotiable.

27 (7) Notwithstanding subsections (4) through (6) of this section,
28 bonds issued under this section may be issued and sold in accordance
29 with chapter 39.46 RCW.

30 NEW SECTION. Sec. 402. A new section is added to chapter 39.89
31 RCW to read as follows:

32 A local government that issues bonds under RCW 39.89.080 to finance
33 public improvements may pledge for the payment of such bonds all or
34 part of any tax allocation revenues derived from the public
35 improvements. The local government may also pledge all or part of any
36 revenues derived from taxes imposed under section 301 of this act and

1 held in connection with the public improvements. All of such tax
2 revenues are subject to the use restriction in section 302 of this act.

3 NEW SECTION. **Sec. 403.** A new section is added to chapter 39.89
4 RCW to read as follows:

5 The bonds issued by a local government under RCW 39.89.080 to
6 finance public improvements shall not constitute an obligation of the
7 state of Washington, either general or special.

8 **PART V**
9 **MISCELLANEOUS**

10 NEW SECTION. **Sec. 501.** If any provision of this act or its
11 application to any person or circumstance is held invalid, the
12 remainder of the act or the application of the provision to other
13 persons or circumstances is not affected.

14 NEW SECTION. **Sec. 502.** Part headings used in this act do not
15 constitute any part of the law.

16 NEW SECTION. **Sec. 503.** Nothing in this act shall be construed to
17 give port districts the authority to impose a sales or use tax under
18 chapter 82.14 RCW.

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